

SENATE BILL NO. 16

INTRODUCED BY J. ELLINGSON

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE PROPERTY TAXATION OF CLASS EIGHT BUSINESS EQUIPMENT; EXEMPTING FROM TAXATION THE FIRST \$50,000 OR LESS OF MARKET VALUE OF CLASS EIGHT BUSINESS EQUIPMENT; IMPOSING PROPERTY TAX RATES ON CLASS EIGHT BUSINESS EQUIPMENT BASED ON THE MARKET VALUE OF THE PROPERTY IN EXCESS OF THE EXEMPTION AMOUNT; PROVIDING FOR THE APPORTIONMENT OF THE PROPERTY TAX EXEMPTION AMONG SCHOOL DISTRICTS; ELIMINATING THE PHASEOUT OF CLASS EIGHT PROPERTY TAXATION BASED UPON INFLATION-ADJUSTED EMPLOYMENT STATISTICS; PROVIDING THAT THE EXEMPT MARKET VALUE OF CLASS EIGHT BUSINESS EQUIPMENT BE INCLUDED IN THE DEBT LIMITS OF LOCAL TAXING JURISDICTIONS; ADJUSTING THE BOND LIMITATION LAW FOR SCHOOL DISTRICTS; ALLOWING AN EXTENSION OF 2002 STATUTORY DEADLINES RELATING TO BUDGETING AND PROPERTY TAXES; AMENDING SECTIONS 15-6-138, 15-6-201, 15-8-111, 15-8-301, 15-10-420, AND 20-9-406, MCA, AND SECTIONS 27 AND 31, CHAPTER 285, LAWS OF 1999; AND PROVIDING EFFECTIVE DATES, A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Apportionment of personal property exemption. (1) For the purposes of allocating the exemption of the first \$50,000 or less of market value of class eight property under 15-6-201, the department shall apportion the market value exemption amount of class eight property of a person or business entity that owns property in more than one school district. The exemption amount apportioned to each school district is equal to the ratio of the market value of all class eight property owned by the person or business entity in the school district to the market value of all class eight property owned by the person or business entity, and that figure must be multiplied by the first \$50,000 or less of market value owned by the person or business entity.

(2) The taxable valuation of class eight property resulting from the apportioned exemption amounts must be used by all taxing entities that impose mill levies within the school district.

(3) The department may adopt rules to implement this section.

1

2 **Section 2.** Section 15-6-138, MCA, is amended to read:

3 **"15-6-138. (Temporary) Class eight property -- description -- taxable percentage.** (1) Class eight

4 property includes:

5 (a) all agricultural implements and equipment that are not exempt under 15-6-201(1)(bb);

6 (b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and
7 supplies except those included in class five;

8 (c) all oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage
9 tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units,
10 communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and
11 similar equipment that is skidable, portable, or movable, tools that are not exempt under 15-6-201(1)(r), and
12 supplies except those included in class five;

13 (d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools
14 and personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk
15 processors as provided in 15-6-201, and supplies except those included in class five;

16 (e) all goods and equipment that are intended for rent or lease, except goods and equipment that are
17 specifically included and taxed in another class;

18 (f) special mobile equipment as defined in 61-1-104;

19 (g) furniture, fixtures, and equipment, except that specifically included in another class, used in
20 commercial establishments as defined in this section;

21 (h) x-ray and medical and dental equipment;

22 (i) citizens' band radios and mobile telephones;

23 (j) radio and television broadcasting and transmitting equipment;

24 (k) cable television systems;

25 (l) coal and ore haulers;

26 (m) theater projectors and sound equipment; and

27 (n) all other property that is not included in any other class in this part, except that property that is
28 subject to a fee in lieu of a property tax.

29 (2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000
30 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a

1 mining or quarrying environment.

2 (3) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or
3 service, wholesale, retail, or food-handling business.

4 (4) Class eight property is taxed ~~at 3% of its market value~~ according to the following schedule:

5 (a) on the first \$50,000 or less of market value that is exempt as provided in 15-6-201, 0%;

6 (b) on the next \$450,000 of market value or any part of that value, 3%;

7 (c) on the next \$4.5 million of market value or any part of that value, 6%;

8 (d) on the market value in excess of \$5 million or any part of that value, 9%.

9 (5) ~~(a) If, in any year beginning with tax year 2004, the percentage growth in inflation-adjusted Montana~~
10 ~~wage and salary income, in the last full year for which data is available, is at least 2.85% from the prior year, then~~
11 ~~the tax rate for class eight property will be reduced by 1% each year until the tax rate reaches zero.~~

12 ~~———— (b) The department shall calculate the percentage growth in subsection (5)(a) by using the formula~~
13 ~~$(W/CPI) - 1$, where:~~

14 ~~———— (i) W is the Montana wage and salary income for the most current available year divided by the Montana~~
15 ~~wage and salary income for the year prior to the most current available year; and~~

16 ~~———— (ii) CPI is the consumer price index for the most current available year used in subsection (5)(b)(i)~~
17 ~~divided by the consumer price index for the year prior to the most current available year as used in subsection~~
18 ~~(5)(b)(i).~~

19 ~~———— (c) For purposes of determining the percentage growth in subsection (5)(a), the department shall use~~
20 ~~the wage and salary data series referred to as the bureau of economic analysis of the United States department~~
21 ~~of commerce Montana wage and salary disbursements. Inflation must be measured by the consumer price~~
22 ~~index, U.S. city average, all urban consumers (CPI-U), using the 1982-84 base of 100, as published by the~~
23 ~~bureau of labor statistics of the United States department of labor.~~

24 ~~———— (6) The class eight property of a person or business entity that owns an aggregate of \$5,000 or less in~~
25 ~~market value of class eight property is exempt from taxation. (Repealed on occurrence of contingency--secs.~~
26 ~~27(2), 31(4), Ch. 285, L. 1999.)"~~

27

28 **Section 3.** Section 15-6-201, MCA, is amended to read:

29 **"15-6-201. (Temporary) Exempt categories.** (1) The following categories of property are exempt from
30 taxation:

- 1 (a) except as provided in 15-24-1203, the property of:
- 2 (i) the United States, except:
- 3 (A) if congress passes legislation that allows the state to tax property owned by the federal government
- 4 or an agency created by congress; or
- 5 (B) as provided in 15-24-1103;
- 6 (ii) the state, counties, cities, towns, and school districts;
- 7 (iii) irrigation districts organized under the laws of Montana and not operating for profit;
- 8 (iv) municipal corporations;
- 9 (v) public libraries; and
- 10 (vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;
- 11 (b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a church
- 12 and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably
- 13 necessary for convenient use of the buildings;
- 14 (c) property used exclusively for agricultural and horticultural societies, for educational purposes, and
- 15 for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human
- 16 services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department
- 17 of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.
- 18 (d) property that is:
- 19 (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;
- 20 (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care
- 21 and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and
- 22 (iii) not maintained and operated for private or corporate profit;
- 23 (e) subject to subsection (2), property that is owned or property that is leased from a federal, state, or
- 24 local governmental entity by institutions of purely public charity if the property is directly used for purely public
- 25 charitable purposes;
- 26 (f) evidence of debt secured by mortgages of record upon real or personal property in the state of
- 27 Montana;
- 28 (g) public museums, art galleries, zoos, and observatories that are not used or held for private or
- 29 corporate profit;
- 30 (h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing

1 machines, and wearing apparel of members of the family, used by the owner for personal and domestic
2 purposes or for furnishing or equipping the family residence;

3 (i) truck canopy covers or toppers and campers;

4 (j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

5 (k) motor homes;

6 (l) all watercraft;

7 (m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or
8 nonprofit corporation organized to furnish potable water to its members or customers for uses other than the
9 irrigation of agricultural land;

10 (n) the right of entry that is a property right reserved in land or received by mesne conveyance
11 (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another
12 to explore, prospect, or dig for oil, gas, coal, or minerals;

13 (o) (i) property that is owned and used by a corporation or association organized and operated
14 exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with
15 physical or mental impairments that constitute or result in substantial impediments to employment and that is
16 not operated for gain or profit; and

17 (ii) property that is owned and used by an organization owning and operating facilities that are for the
18 care of the retired, aged, or chronically ill and that are not operated for gain or profit;

19 (p) all farm buildings with a market value of less than \$500 and all agricultural implements and
20 machinery with a market value of less than \$100;

21 (q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training
22 and practice for or competition in international sports and athletic events and that is not held or used for private
23 or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation" means an organization
24 that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted
25 under the Montana Nonprofit Corporation Act.

26 (r) (i) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily
27 hand-held and that are used to:

28 (A) construct, repair, and maintain improvements to real property; or

29 (B) repair and maintain machinery, equipment, appliances, or other personal property;

30 (ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture,

1 launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and
2 launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and
3 that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;
4 (s) harness, saddlery, and other tack equipment;
5 (t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in
6 33-25-105;
7 (u) timber as defined in 15-44-102;
8 (v) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in
9 61-1-114, and travel trailers as defined in 61-1-131;
10 (w) all vehicles registered under 61-3-456;
11 (x) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors,
12 including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and
13 (ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection
14 (1)(x)(i);
15 (y) motorcycles and quadricycles;
16 (z) the following percentage of the market value of residential property as described in 15-6-134(1)(e)
17 and (1)(f):
18 (i) 23% for tax year 2000;
19 (ii) 27.5% for tax year 2001; and
20 (iii) 31% for tax year 2002 and succeeding tax years;
21 (aa) the following percentage of the market value of commercial property as described in 15-6-134(1)(g):
22 (i) 9% for tax year 2000;
23 (ii) 11% for tax year 2001; and
24 (iii) 13% for tax year 2002 and succeeding tax years;
25 (bb) personal property used by an industrial dairy or an industrial milk processor and dairy livestock used
26 by an industrial dairy;
27 (cc) light vehicles as defined in 61-1-139; ~~and~~
28 (dd) all manufacturing machinery, fixtures, equipment, and tools used for the production of ethanol from
29 grain during the course of the construction of an ethanol manufacturing facility and for 10 years after initial
30 production of ethanol from the facility; and

1 (ee) the first \$50,000 or less of market value of class eight property of a person or business entity. The
2 exemption amount must be apportioned as provided in [section 1].

3 (2) (a) For the purposes of subsection (1)(e):

4 (i) the term "institutions of purely public charity" includes any organization that meets the following
5 requirements:

6 (A) The organization offers its charitable goods or services to persons without regard to race, religion,
7 creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal
8 Revenue Code, as amended.

9 (B) The organization accomplishes its activities through absolute gratuity or grants. However, the
10 organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public
11 performances or entertainment or by other similar types of fundraising activities.

12 (ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used
13 by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal
14 Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually
15 with the department a copy of its federal tax return reporting any unrelated business taxable income received
16 by the charity during the tax year, together with a statement indicating whether the exempt property was used
17 to generate any unrelated business taxable income.

18 (b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and
19 observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold
20 property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes
21 all real and personal property reasonably necessary for use in connection with the public display or observatory
22 use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual
23 or for-profit organization, real and personal property owned by other persons is exempt if it is:

24 (i) actually used by the governmental entity or nonprofit organization as a part of its public display;

25 (ii) held for future display; or

26 (iii) used to house or store a public display.

27 (3) For the purposes of subsection (1)(bb):

28 (a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes
29 the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products
30 solely for export from the state, either directly by the dairy or after the milk or milk product has been further

1 processed by an industrial milk processor. After export, any unprocessed milk must be further processed into
2 other dairy products.

3 (b) "industrial milk processor" means a facility and integral machinery used solely to process milk into
4 milk products for export from the state.

5 (4) The following portions of the appraised value of a capital investment in a recognized nonfossil form
6 of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt
7 from taxation for a period of 10 years following installation of the property:

8 (a) \$20,000 in the case of a single-family residential dwelling;

9 (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure.

10 **15-6-201. (Effective January 1, 2003) Exempt categories.** (1) The following categories of property
11 are exempt from taxation:

12 (a) except as provided in 15-24-1203, the property of:

13 (i) the United States, except:

14 (A) if congress passes legislation that allows the state to tax property owned by the federal government
15 or an agency created by congress; or

16 (B) as provided in 15-24-1103;

17 (ii) the state, counties, cities, towns, and school districts;

18 (iii) irrigation districts organized under the laws of Montana and not operating for profit;

19 (iv) municipal corporations;

20 (v) public libraries; and

21 (vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;

22 (b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a church
23 and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably
24 necessary for convenient use of the buildings;

25 (c) property used exclusively for agricultural and horticultural societies, for educational purposes, and
26 for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human
27 services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department
28 of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.

29 (d) property that is:

30 (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 21;

(ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and

(iii) not maintained and operated for private or corporate profit;

(e) subject to subsection (2), property that is owned or property that is leased from a federal, state, or local governmental entity by institutions of purely public charity if the property is directly used for purely public charitable purposes;

(f) evidence of debt secured by mortgages of record upon real or personal property in the state of Montana;

(g) public museums, art galleries, zoos, and observatories that are not used or held for private or corporate profit;

(h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing machines, and wearing apparel of members of the family, used by the owner for personal and domestic purposes or for furnishing or equipping the family residence;

(i) truck canopy covers or toppers and campers;

(j) a bicycle, as defined in 61-1-123, used by the owner for personal transportation purposes;

(k) motor homes;

(l) all watercraft;

(m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or nonprofit corporation organized to furnish potable water to its members or customers for uses other than the irrigation of agricultural land;

(n) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another to explore, prospect, or dig for oil, gas, coal, or minerals;

(o) (i) property that is owned and used by a corporation or association organized and operated exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with physical or mental impairments that constitute or result in substantial impediments to employment and that is not operated for gain or profit; and

(ii) property that is owned and used by an organization owning and operating facilities that are for the care of the retired, aged, or chronically ill and that are not operated for gain or profit;

(p) all farm buildings with a market value of less than \$500 and all agricultural implements and

1 machinery with a market value of less than \$100;

2 (q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training
3 and practice for or competition in international sports and athletic events and that is not held or used for private
4 or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation" means an organization
5 that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted
6 under the Montana Nonprofit Corporation Act.

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10 (B) repair and maintain machinery, equipment, appliances, or other personal property;

11 (ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture,
12 launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and
13 launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and
14 that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;

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24 (ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection
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27 (z) the following percentage of the market value of residential property as described in 15-6-134(1)(e)
28 and (1)(f):

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30 (ii) 27.5% for tax year 2001; and

(iii) 31% for tax year 2002 and succeeding tax years;

(aa) the following percentage of the market value of commercial property as described in 15-6-134(1)(g):

(i) 9% for tax year 2000;

(ii) 11% for tax year 2001; and

(iii) 13% for tax year 2002 and succeeding tax years;

(bb) personal property used by an industrial dairy or an industrial milk processor and dairy livestock used by an industrial dairy;

(cc) items of personal property intended for rent or lease in the ordinary course of business if each item of personal property satisfies all of the following:

(i) the acquired cost of the personal property is less than \$15,000;

(ii) the personal property is owned by a business whose primary business income is from rental or lease of personal property to individuals and no one customer of the business accounts for more than 10% of the total rentals or leases during a calendar year; and

(iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;

(dd) all manufacturing machinery, fixtures, equipment, and tools used for the production of ethanol from grain during the course of the construction of an ethanol manufacturing facility and for 10 years after completion of construction of the manufacturing facility; ~~and~~

(ee) light vehicles as defined in 61-1-139; and

(ff) the first \$50,000 or less of market value of class eight property of a person or business entity. The exemption amount must be apportioned as provided in [section 1].

(2) (a) For the purposes of subsection (1)(e):

(i) the term "institutions of purely public charity" includes any organization that meets the following requirements:

(A) The organization offers its charitable goods or services to persons without regard to race, religion, creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal Revenue Code, as amended.

(B) The organization accomplishes its activities through absolute gratuity or grants. However, the organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public performances or entertainment or by other similar types of fundraising activities.

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1 by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal
2 Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually
3 with the department a copy of its federal tax return reporting any unrelated business taxable income received
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5 to generate any unrelated business taxable income.

6 (b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and
7 observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold
8 property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes
9 all real and personal property reasonably necessary for use in connection with the public display or observatory
10 use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual
11 or for-profit organization, real and personal property owned by other persons is exempt if it is:

- 12 (i) actually used by the governmental entity or nonprofit organization as a part of its public display;
13 (ii) held for future display; or
14 (iii) used to house or store a public display.

15 (3) For the purposes of subsection (1)(bb):

16 (a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes
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18 solely for export from the state, either directly by the dairy or after the milk or milk product has been further
19 processed by an industrial milk processor. After export, any unprocessed milk must be further processed into
20 other dairy products.

21 (b) "industrial milk processor" means a facility and integral machinery used solely to process milk into
22 milk products for export from the state.

23 (4) The following portions of the appraised value of a capital investment in a recognized nonfossil form
24 of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt
25 from taxation for a period of 10 years following installation of the property:

- 26 (a) \$20,000 in the case of a single-family residential dwelling;
27 (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure.

28 ~~15-6-201. (Effective on occurrence of contingency) Exempt categories. (1) The following categories~~
29 ~~of property are exempt from taxation:~~

30 ~~— (a) except as provided in 15-24-1203, the property of:~~

- 1 ~~—— (i) the United States, except:~~
2 ~~—— (A) if congress passes legislation that allows the state to tax property owned by the federal government~~
3 ~~or an agency created by congress; or~~
4 ~~—— (B) as provided in 15-24-1103;~~
5 ~~—— (ii) the state, counties, cities, towns, and school districts;~~
6 ~~—— (iii) irrigation districts organized under the laws of Montana and not operating for profit;~~
7 ~~—— (iv) municipal corporations;~~
8 ~~—— (v) public libraries; and~~
9 ~~—— (vi) rural fire districts and other entities providing fire protection under Title 7, chapter 33;~~
10 ~~—— (b) buildings, with land that they occupy and furnishings in the buildings, that are owned by a church~~
11 ~~and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably~~
12 ~~necessary for convenient use of the buildings;~~
13 ~~—— (c) property used exclusively for agricultural and horticultural societies, for educational purposes, and~~
14 ~~for nonprofit health care facilities, as defined in 50-5-101, licensed by the department of public health and human~~
15 ~~services and organized under Title 35, chapter 2 or 3. A health care facility that is not licensed by the department~~
16 ~~of public health and human services and organized under Title 35, chapter 2 or 3, is not exempt.~~
17 ~~—— (d) property that is:~~
18 ~~—— (i) owned and held by an association or corporation organized under Title 35, chapter 2, 3, 20, or 24;~~
19 ~~—— (ii) devoted exclusively to use in connection with a cemetery or cemeteries for which a permanent care~~
20 ~~and improvement fund has been established as provided for in Title 35, chapter 20, part 3; and~~
21 ~~—— (iii) not maintained and operated for private or corporate profit;~~
22 ~~—— (e) subject to subsection (2), property that is owned or property that is leased from a federal, state, or~~
23 ~~local governmental entity by institutions of purely public charity if the property is directly used for purely public~~
24 ~~charitable purposes;~~
25 ~~—— (f) evidence of debt secured by mortgages of record upon real or personal property in the state of~~
26 ~~Montana;~~
27 ~~—— (g) public museums, art galleries, zoos, and observatories that are not used or held for private or~~
28 ~~corporate profit;~~
29 ~~—— (h) all household goods and furniture, including but not limited to clocks, musical instruments, sewing~~
30 ~~machines, and wearing apparel of members of the family, used by the owner for personal and domestic~~

- 1 ~~purposes or for furnishing or equipping the family residence;~~
2 ~~—— (i) truck canopy covers or toppers and campers;~~
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4 ~~—— (k) motor homes;~~
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6 ~~—— (m) motor vehicles, land, fixtures, buildings, and improvements owned by a cooperative association or~~
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8 ~~irrigation of agricultural land;~~
9 ~~—— (n) the right of entry that is a property right reserved in land or received by mesne conveyance~~
10 ~~(exclusive of leasehold interests), devise, or succession to enter land with a surface title that is held by another~~
11 ~~to explore, prospect, or dig for oil, gas, coal, or minerals;~~
12 ~~—— (o) (i) property that is owned and used by a corporation or association organized and operated~~
13 ~~exclusively for the care of persons with developmental disabilities, persons with mental illness, or persons with~~
14 ~~physical or mental impairments that constitute or result in substantial impediments to employment and that is~~
15 ~~not operated for gain or profit; and~~
16 ~~—— (ii) property that is owned and used by an organization owning and operating facilities that are for the~~
17 ~~care of the retired, aged, or chronically ill and that are not operated for gain or profit;~~
18 ~~—— (p) all farm buildings with a market value of less than \$500 and all agricultural implements and~~
19 ~~machinery with a market value of less than \$100;~~
20 ~~—— (q) property owned by a nonprofit corporation that is organized to provide facilities primarily for training~~
21 ~~and practice for or competition in international sports and athletic events and that is not held or used for private~~
22 ~~or corporate gain or profit. For purposes of this subsection (1)(q), "nonprofit corporation" means an organization~~
23 ~~that is exempt from taxation under section 501(c) of the Internal Revenue Code and incorporated and admitted~~
24 ~~under the Montana Nonprofit Corporation Act.~~
25 ~~—— (r) (i) the first \$15,000 or less of market value of tools owned by the taxpayer that are customarily~~
26 ~~hand-held and that are used to:~~
27 ~~—— (A) construct, repair, and maintain improvements to real property; or~~
28 ~~—— (B) repair and maintain machinery, equipment, appliances, or other personal property;~~
29 ~~—— (ii) space vehicles and all machinery, fixtures, equipment, and tools used in the design, manufacture,~~
30 ~~launch, repair, and maintenance of space vehicles that are owned by businesses engaged in manufacturing and~~

1 ~~launching space vehicles in the state or that are owned by a contractor or subcontractor of that business and~~
2 ~~that are directly used for space vehicle design, manufacture, launch, repair, and maintenance;~~
3 ~~—— (s) harness, saddlery, and other tack equipment;~~
4 ~~—— (t) a title plant owned by a title insurer or a title insurance producer, as those terms are defined in~~
5 ~~33-25-105;~~
6 ~~—— (u) timber as defined in 15-44-102;~~
7 ~~—— (v) all trailers as defined in 61-1-111, semitrailers as defined in 61-1-112, pole trailers as defined in~~
8 ~~61-1-114, and travel trailers as defined in 61-1-131;~~
9 ~~—— (w) all vehicles registered under 61-3-456;~~
10 ~~—— (x) (i) buses, trucks having a manufacturer's rated capacity of more than 1 ton, and truck tractors,~~
11 ~~including buses, trucks, and truck tractors apportioned under Title 61, chapter 3, part 7; and~~
12 ~~—— (ii) personal property that is attached to a bus, truck, or truck tractor that is exempt under subsection~~
13 ~~(1)(x)(i);~~
14 ~~—— (y) motorcycles and quadricycles;~~
15 ~~—— (z) the following percentage of the market value of residential property as described in 15-6-134(1)(e)~~
16 ~~and (1)(f):~~
17 ~~—— (i) 23% for tax year 2000;~~
18 ~~—— (ii) 27.5% for tax year 2001; and~~
19 ~~—— (iii) 31% for tax year 2002 and succeeding tax years;~~
20 ~~—— (aa) the following percentage of the market value of commercial property as described in 15-6-134(1)(g):~~
21 ~~—— (i) 9% for tax year 2000;~~
22 ~~—— (ii) 11% for tax year 2001; and~~
23 ~~—— (iii) 13% for tax year 2002 and succeeding tax years;~~
24 ~~—— (bb) personal property used by an industrial dairy or an industrial milk processor and dairy livestock used~~
25 ~~by an industrial dairy;~~
26 ~~—— (cc) items of personal property intended for rent or lease in the ordinary course of business if each item~~
27 ~~of personal property satisfies all of the following:~~
28 ~~—— (i) the acquired cost of the personal property is less than \$15,000;~~
29 ~~—— (ii) the personal property is owned by a business whose primary business income is from rental or lease~~
30 ~~of personal property to individuals and no one customer of the business accounts for more than 10% of the total~~

1 ~~rentals or leases during a calendar year; and~~
2 ~~—— (iii) the lease of the personal property is generally on an hourly, daily, or weekly basis;~~
3 ~~—— (dd) all agricultural implements and equipment;~~
4 ~~—— (ee) all mining machinery, fixtures, equipment, tools, and supplies except those included in class five;~~
5 ~~—— (ff) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class~~
6 ~~five;~~
7 ~~—— (gg) all goods and equipment that are intended for rent or lease, except goods and equipment that are~~
8 ~~specifically included and taxed in another class;~~
9 ~~—— (hh) special mobile equipment as defined in 61-1-104;~~
10 ~~—— (ii) furniture, fixtures, and equipment, except that specifically included in another class, used in~~
11 ~~commercial establishments as defined in this section;~~
12 ~~—— (jj) x-ray and medical and dental equipment;~~
13 ~~—— (kk) citizens' band radios and mobile telephones;~~
14 ~~—— (ll) radio and television broadcasting and transmitting equipment;~~
15 ~~—— (mm) cable television systems;~~
16 ~~—— (nn) coal and ore haulers;~~
17 ~~—— (oo) theater projectors and sound equipment; and~~
18 ~~—— (pp) light vehicles as defined in 61-1-139.~~
19 ~~—— (2) (a) For the purposes of subsection (1)(e):~~
20 ~~—— (i) the term "institutions of purely public charity" includes any organization that meets the following~~
21 ~~requirements:~~
22 ~~—— (A) The organization offers its charitable goods or services to persons without regard to race, religion,~~
23 ~~creed, or gender and qualifies as a tax-exempt organization under the provisions of section 501(c)(3), Internal~~
24 ~~Revenue Code, as amended.~~
25 ~~—— (B) The organization accomplishes its activities through absolute gratuity or grants. However, the~~
26 ~~organization may solicit or raise funds by the sale of merchandise, memberships, or tickets to public~~
27 ~~performances or entertainment or by other similar types of fundraising activities.~~
28 ~~—— (ii) agricultural property owned by a purely public charity is not exempt if the agricultural property is used~~
29 ~~by the charity to produce unrelated business taxable income as that term is defined in section 512 of the Internal~~
30 ~~Revenue Code, 26 U.S.C. 512. A public charity claiming an exemption for agricultural property shall file annually~~

1 with the department a copy of its federal tax return reporting any unrelated business taxable income received
2 by the charity during the tax year, together with a statement indicating whether the exempt property was used
3 to generate any unrelated business taxable income.

4 ~~—— (b) For the purposes of subsection (1)(g), the term "public museums, art galleries, zoos, and~~
5 ~~observatories" means governmental entities or nonprofit organizations whose principal purpose is to hold~~
6 ~~property for public display or for use as a museum, art gallery, zoo, or observatory. The exempt property includes~~
7 ~~all real and personal property reasonably necessary for use in connection with the public display or observatory~~
8 ~~use. Unless the property is leased for a profit to a governmental entity or nonprofit organization by an individual~~
9 ~~or for-profit organization, real and personal property owned by other persons is exempt if it is:~~

10 ~~—— (i) actually used by the governmental entity or nonprofit organization as a part of its public display;~~

11 ~~—— (ii) held for future display; or~~

12 ~~—— (iii) used to house or store a public display.~~

13 ~~—— (3) For the purposes of subsection (1)(bb):~~

14 ~~—— (a) "industrial dairy" means a large-scale dairy operation with 1,000 or more milking cows and includes~~
15 ~~the dairy livestock and integral machinery and equipment that the dairy uses to produce milk and milk products~~
16 ~~solely for export from the state, either directly by the dairy or after the milk or milk product has been further~~
17 ~~processed by an industrial milk processor. After export, any unprocessed milk must be further processed into~~
18 ~~other dairy products.~~

19 ~~—— (b) "industrial milk processor" means a facility and integral machinery used solely to process milk into~~
20 ~~milk products for export from the state.~~

21 ~~—— (4) The following portions of the appraised value of a capital investment in a recognized nonfossil form~~
22 ~~of energy generation or low emission wood or biomass combustion devices, as defined in 15-32-102, are exempt~~
23 ~~from taxation for a period of 10 years following installation of the property:~~

24 ~~—— (a) \$20,000 in the case of a single-family residential dwelling;~~

25 ~~—— (b) \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure."~~

26
27 **Section 4.** Section 15-8-111, MCA, is amended to read:

28 **"15-8-111. Assessment -- market value standard -- exceptions -- bonding.** (1) All taxable property
29 must be assessed at 100% of its market value except as otherwise provided.

30 (2) (a) Market value is the value at which property would change hands between a willing buyer and

1 a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of
2 relevant facts.

3 (b) If the department uses construction cost as one approximation of market value, the department shall
4 fully consider reduction in value caused by depreciation, whether through physical depreciation, functional
5 obsolescence, or economic obsolescence.

6 (c) If the department uses the capitalization of net income method as one approximation of market value
7 and sufficient, relevant information on comparable sales and construction cost exists, the department shall rely
8 upon the two methods that provide a similar market value as the better indicators of market value.

9 (d) Except as provided in subsection (3), the market value of special mobile equipment and agricultural
10 tools, implements, and machinery is the average wholesale value shown in national appraisal guides and
11 manuals or the value before reconditioning and profit margin. The department shall prepare valuation schedules
12 showing the average wholesale value when a national appraisal guide does not exist.

13 (3) The department may not adopt a lower or different standard of value from market value in making
14 the official assessment and appraisal of the value of property, except:

15 (a) the wholesale value for agricultural implements and machinery is the average wholesale value
16 category as shown in Guides 2000, Northwest Region Official Guide, published by the North American
17 equipment dealers association, St. Louis, Missouri. If the guide or the average wholesale value category is
18 unavailable, the department shall use a comparable publication or wholesale value category.

19 (b) for agricultural implements and machinery not listed in an official guide, the department shall prepare
20 a supplemental manual in which the values reflect the same depreciation as those found in the official guide;
21 and

22 (c) as otherwise authorized in Titles 15 and 61.

23 (4) For purposes of taxation, assessed value is the same as appraised value.

24 (5) The taxable value for all property is the percentage of market or assessed value established for each
25 class of property.

26 (6) The assessed value of properties in 15-6-131 through 15-6-134, 15-6-143, and 15-6-145 is as
27 follows:

28 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after
29 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,
30 15-23-516, 15-23-517, or 15-23-518.

(b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

(c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Properties in 15-6-134, under class four, are assessed at the applicable percentage of market value minus any portion of market value that is exempt from taxation under 15-6-201(1)(z) and (1)(aa).

(e) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value of the land when valued as forest land.

(f) Railroad transportation properties in 15-6-145 are assessed based on the valuation formula described in 15-23-205.

(7) Land and the improvements on the land are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

(8) For the purposes of local taxing jurisdiction bonding authority, except for K-12 schools, the assessed value of class eight property in 15-6-138 must include the assessed value of class eight property exempt from taxation under 15-6-201(1)(ee)."

Section 5. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions -- bonding. (1) All taxable property must be assessed at 100% of its market value except as otherwise provided.

(2) (a) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(b) If the department uses construction cost as one approximation of market value, the department shall fully consider reduction in value caused by depreciation, whether through physical depreciation, functional obsolescence, or economic obsolescence.

(c) If the department uses the capitalization of net income method as one approximation of market value and sufficient, relevant information on comparable sales and construction cost exists, the department shall rely

1 upon the two methods that provide a similar market value as the better indicators of market value.

2 (d) Except as provided in subsection (3), the market value of special mobile equipment and agricultural
3 tools, implements, and machinery is the average wholesale value shown in national appraisal guides and
4 manuals or the value before reconditioning and profit margin. The department shall prepare valuation schedules
5 showing the average wholesale value when a national appraisal guide does not exist.

6 (3) The department may not adopt a lower or different standard of value from market value in making
7 the official assessment and appraisal of the value of property, except:

8 (a) the wholesale value for agricultural implements and machinery is the average wholesale value
9 category as shown in Guides 2000, Northwest Region Official Guide, published by the North American
10 equipment dealers association, St. Louis, Missouri. If the guide or the average wholesale value category is
11 unavailable, the department shall use a comparable publication or wholesale value category.

12 (b) for agricultural implements and machinery not listed in an official guide, the department shall prepare
13 a supplemental manual in which the values reflect the same depreciation as those found in the official guide;
14 and

15 (c) as otherwise authorized in Titles 15 and 61.

16 (4) For purposes of taxation, assessed value is the same as appraised value.

17 (5) The taxable value for all property is the percentage of market or assessed value established for each
18 class of property.

19 (6) The assessed value of properties in 15-6-131 through 15-6-134, 15-6-143, and 15-6-145 is as
20 follows:

21 (a) Properties in 15-6-131, under class one, are assessed at 100% of the annual net proceeds after
22 deducting the expenses specified and allowed by 15-23-503 or, if applicable, as provided in 15-23-515,
23 15-23-516, 15-23-517, or 15-23-518.

24 (b) Properties in 15-6-132, under class two, are assessed at 100% of the annual gross proceeds.

25 (c) Properties in 15-6-133, under class three, are assessed at 100% of the productive capacity of the
26 lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as
27 agricultural lands for tax purposes.

28 (d) Properties in 15-6-134, under class four, are assessed at the applicable percentage of market value
29 minus any portion of market value that is exempt from taxation under 15-6-201(1)(z) and (1)(aa).

30 (e) Properties in 15-6-143, under class ten, are assessed at 100% of the forest productivity value of the

1 land when valued as forest land.

2 (f) Railroad transportation properties in 15-6-145 are assessed based on the valuation formula
3 described in 15-23-205.

4 (7) Land and the improvements on the land are separately assessed when any of the following
5 conditions occur:

6 (a) ownership of the improvements is different from ownership of the land;

7 (b) the taxpayer makes a written request; or

8 (c) the land is outside an incorporated city or town.

9 (8) For the purposes of local taxing jurisdiction bonding authority, except for K-12 schools, the assessed
10 value of class eight property in 15-6-138 must include the assessed value of class eight property exempt from
11 taxation under 15-6-201(1)(ff)."

12

13 **Section 6.** Section 15-8-301, MCA, is amended to read:

14 **"15-8-301. Statement -- what to contain.** (1) The department may require from a person a statement
15 under oath setting forth specifically all the real and personal property owned by, in possession of, or under the
16 control of the person at midnight on January 1. The statement must be in writing, showing separately:

17 (a) all property belonging to, claimed by, or in the possession or under the control or management of
18 the person;

19 (b) all property belonging to, claimed by, or in the possession or under the control or management of
20 any firm of which the person is a member;

21 (c) all property belonging to, claimed by, or in the possession or under the control or management of
22 any corporation of which the person is president, secretary, cashier, or managing agent;

23 (d) the county in which the property is situated or in which the property is liable to taxation and, if liable
24 to taxation in the county in which the statement is made, also the city, town, school district, road district, or other
25 revenue districts in which the property is situated;

26 (e) an exact description of all lands, improvements, and personal property;

27 (f) all depots, shops, stations, buildings, and other structures erected on the space covered by the
28 right-of-way and all other property owned by any person owning or operating any railroad within the county.

29 (2) (a) The department shall notify the taxpayer in the statement for reporting personal property owned
30 by a business or used in a business that the statement is for reporting business equipment and other business

personal property described in Title 15, chapter 6, part 1. ~~A~~ Except as provided in subsection (2)(b), a taxpayer owning exempt business equipment is subject to limited reporting requirements; however, all new businesses shall report their class eight property so that the department can determine the market value of the property. The department shall by rule develop reporting requirements for business equipment to limit the annual reporting of exempt business equipment to the extent feasible.

(b) For the purposes of apportioning the value of exempt property under [section 1], a person or business entity that owns class eight property in more than one school district shall report all class eight business equipment to the department.

(3) Whenever one member of a firm or one of the proper officers of a corporation has made a statement showing the property of the firm or corporation, another member of the firm or another officer is not required to include the property in that person's statement but the statement must show the name of the person or officer who made the statement in which the property is included.

(4) The fact that a statement is not required or that a person has not made a statement, under oath or otherwise, does not relieve the person's property from taxation."

Section 7. Section 15-10-420, MCA, is amended to read:

"15-10-420. Procedure for calculating levy. (1) (a) Subject to the provisions of this section, a governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3 years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax actually assessed in the governmental unit in the prior year based on the current year taxable value, less the current year's value of newly taxable property, plus one-half of the average rate of inflation for the prior 3 years.

(b) A governmental entity that does not impose the maximum number of mills authorized under subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill authority carried forward may be imposed in a subsequent tax year.

(c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate of inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

(2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including newly taxable property.

(3) For purposes of this section, newly taxable property includes:

(a) annexation of real property and improvements into a taxing unit;

(b) construction, expansion, or remodeling of improvements;

(c) transfer of property into a taxing unit;

(d) subdivision of real property; ~~and~~

(e) transfer of property from tax-exempt to taxable status; and

(f) for tax year 2002, the increase in taxable value attributable to the change in the tax rate of class eight property in 15-6-138.

(4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the release of taxable value from the incremental taxable value of a tax increment financing district because of:

(i) a change in the boundary of a tax increment financing district;

(ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

(iii) the termination of a tax increment financing district.

(b) For the purpose of subsection (3)(d), the subdivision of real property includes the first sale of real property that results in the property being taxable as class four property or as nonagricultural land as described in 15-6-133(1)(c).

(c) For the purposes of this section, newly taxable property does not include an increase in appraised value of land that was previously valued at 75% of the value of improvements on the land, as provided in 15-7-111(4) and (5), as those subsections applied on December 31, 2001.

(5) Subject to subsection (8), subsection (1)(a) does not apply to:

(a) school district levies established in Title 20; or

(b) the portion of a governmental entity's property tax levy for premium contributions for group benefits excluded under 2-9-212 or 2-18-703.

(6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received under 15-6-131 and 15-6-132.

(7) In determining the maximum number of mills in subsection (1)(a), the governmental entity may increase the number of mills to account for a decrease in reimbursements.

(8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes of 15-10-107, 20-9-331, 20-9-333, 20-9-360, 20-25-423, and 20-25-439. However, the number of mills calculated by the department may not exceed the mill levy limits established in those sections. The mill calculation must be established in whole mills. If the mill levy calculation does not result in a whole number of mills, then the calculation must be rounded up to the nearest whole mill.

(9) (a) The provisions of subsection (1) do not prevent or restrict:

(i) a judgment levy under 2-9-316 or 7-7-2202;

(ii) a levy to repay taxes paid under protest as provided in 15-1-402; or

(iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326.

(b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes actually assessed in a subsequent year.

(10) The department may adopt rules to implement this section. The rules may include a method for calculating the percentage of change in valuation for purposes of determining the elimination of property, new improvements, or newly taxable property in a governmental unit."

Section 8. Section 20-9-406, MCA, is amended to read:

"20-9-406. Limitations on amount of bond issue. (1) (a) Except as provided in subsection (1)(d), the maximum amount for which an elementary district or a high school district may become indebted by the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and registered warrants, is 45% of the taxable value of the property subject to taxation, as ascertained by the last assessment for state, county, and school taxes previous to the incurring of the indebtedness, plus 45% of the value of class eight property that is exempt from taxation under 15-6-201(1)(ee). The value of class eight property is determined by multiplying the assessed value of exempt class eight property by 3%.

(b) Except as provided in subsection (1)(d), the maximum amount for which a K-12 school district, as formed pursuant to 20-6-701, may become indebted by the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and registered warrants, is up to 90% of the taxable value of the property subject to taxation, as ascertained by the last assessment for state, county, and school taxes previous to the incurring of the indebtedness, plus 90% of the value of class eight property that is exempt from taxation under 15-6-201(1)(ee). The value of class eight property is determined by multiplying the assessed value of exempt class eight property by 3%.

(c) The total indebtedness of the high school district with an attached elementary district is limited to the sum of 45% of the taxable value of the property for elementary school program purposes and 45% of the taxable value of the property for high school program purposes, adjusted as provided in this section.

(d) (i) The maximum amount for which an elementary district or a high school district with a district mill value per elementary ANB or per high school ANB that is less than the corresponding statewide mill value per elementary ANB or per high school ANB may become indebted by the issuance of bonds, including all indebtedness represented by outstanding bonds of previous issues and registered warrants, is 45% of the corresponding statewide mill value per ANB times 1,000 times the ANB of the district. For a K-12 district, the maximum amount for which the district may become indebted is 45% of the sum of the statewide mill value per elementary ANB times 1,000 times the elementary ANB of the district and the statewide mill value per high school ANB times 1,000 times the high school ANB of the district.

(ii) If mutually agreed upon by the affected districts, for the purpose of calculating its maximum bonded indebtedness under this subsection (1)(d), a district may include the ANB of the district plus the number of students residing within the district for which the district or county pays tuition for attendance at a school in an adjacent district. The receiving district may not use out-of-district ANB for the purpose of calculating its maximum indebtedness if the out-of-district ANB has been included in the ANB of the sending district pursuant to the mutual agreement.

(2) The maximum amounts determined in subsection (1), however, may not pertain to indebtedness imposed by special improvement district obligations or assessments against the school district or to bonds issued for the repayment of tax protests lost by the district. All bonds issued in excess of the amount are void, except as provided in this section.

(3) When the total indebtedness of a school district has reached the limitations prescribed in this section, the school district may pay all reasonable and necessary expenses of the school district on a cash basis in accordance with the financial administration provisions of this chapter.

(4) Whenever bonds are issued for the purpose of refunding bonds, any money to the credit of the debt service fund for the payment of the bonds to be refunded is applied toward the payment of the bonds and the refunding bond issue is decreased accordingly."

Section 9. Section 20-9-406, MCA, is amended to read:

"20-9-406. Limitations on amount of bond issue. (1) (a) Except as provided in subsection (1)(d), the

1 maximum amount for which an elementary district or a high school district may become indebted by the issuance
2 of bonds, including all indebtedness represented by outstanding bonds of previous issues and registered
3 warrants, is 45% of the taxable value of the property subject to taxation, as ascertained by the last assessment
4 for state, county, and school taxes previous to the incurring of the indebtedness, plus 45% of the value of class
5 eight property that is exempt from taxation under 15-6-201(1)(ff). The value of class eight property is determined
6 by multiplying the assessed value of exempt class eight property by 3%.

7 (b) Except as provided in subsection (1)(d), the maximum amount for which a K-12 school district, as
8 formed pursuant to 20-6-701, may become indebted by the issuance of bonds, including all indebtedness
9 represented by outstanding bonds of previous issues and registered warrants, is up to 90% of the taxable value
10 of the property subject to taxation, as ascertained by the last assessment for state, county, and school taxes
11 previous to the incurring of the indebtedness, plus 90% of the value of class eight property that is exempt from
12 taxation under 15-6-201(1)(ff). The value of class eight property is determined by multiplying the assessed value
13 of exempt class eight property by 3%.

14 (c) The total indebtedness of the high school district with an attached elementary district is limited to
15 the sum of 45% of the taxable value of the property for elementary school program purposes and 45% of the
16 taxable value of the property for high school program purposes, adjusted as provided in this section.

17 (d) (i) The maximum amount for which an elementary district or a high school district with a district mill
18 value per elementary ANB or per high school ANB that is less than the corresponding statewide mill value per
19 elementary ANB or per high school ANB may become indebted by the issuance of bonds, including all
20 indebtedness represented by outstanding bonds of previous issues and registered warrants, is 45% of the
21 corresponding statewide mill value per ANB times 1,000 times the ANB of the district. For a K-12 district, the
22 maximum amount for which the district may become indebted is 45% of the sum of the statewide mill value per
23 elementary ANB times 1,000 times the elementary ANB of the district and the statewide mill value per high
24 school ANB times 1,000 times the high school ANB of the district.

25 (ii) If mutually agreed upon by the affected districts, for the purpose of calculating its maximum bonded
26 indebtedness under this subsection (1)(d), a district may include the ANB of the district plus the number of
27 students residing within the district for which the district or county pays tuition for attendance at a school in an
28 adjacent district. The receiving district may not use out-of-district ANB for the purpose of calculating its maximum
29 indebtedness if the out-of-district ANB has been included in the ANB of the sending district pursuant to the
30 mutual agreement.

(2) The maximum amounts determined in subsection (1), however, may not pertain to indebtedness imposed by special improvement district obligations or assessments against the school district or to bonds issued for the repayment of tax protests lost by the district. All bonds issued in excess of the amount are void, except as provided in this section.

(3) When the total indebtedness of a school district has reached the limitations prescribed in this section, the school district may pay all reasonable and necessary expenses of the school district on a cash basis in accordance with the financial administration provisions of this chapter.

(4) Whenever bonds are issued for the purpose of refunding bonds, any money to the credit of the debt service fund for the payment of the bonds to be refunded is applied toward the payment of the bonds and the refunding bond issue is decreased accordingly."

NEW SECTION. Section 10. Extension of 2001 deadlines relating to property taxation. As a result of the change in the property taxation of class eight business equipment enacted by the 57th legislature in special session, it is not possible to comply with certain statutory deadlines relating to the certification of taxable value, assessments, budgets, and collection of property taxes. The state certification of taxable value will be delayed, which in turn will cause delays for local government taxing jurisdictions' budgeting and collection processes. Therefore, for tax year 2002, all deadlines for the certification of statewide taxable value and local government budgeting are extended as necessary and reasonable.

Section 11. Section 27, Chapter 285, Laws of 1999, is amended to read:

"Section 27. Repealer. ~~(1)~~ Sections 15-6-136, 15-24-901, 15-24-920, 15-24-926, 15-24-927, and 15-24-931, MCA, are repealed.

~~(2) Section 15-6-138, MCA, is repealed."~~

Section 12. Section 31, Chapter 285, Laws of 1999, is amended to read:

"Section 31. Effective dates. (1) [Sections 1, 11, 12, 15, 22, 26, 28 through 30, and 32 and this section] are effective on passage and approval.

(2) [Sections 3 through 9 and 23] are effective July 1, 2000.

(3) [Sections 2, 10, 13, 14, 16 through 21, 24, 25, and 27~~(4)~~] are effective January 1, 2003.

~~———— (4) [Sections 13(1)(aa) through (1)(ll) and 27(2)] are effective if the tax rate in [section 12], amending~~

1 ~~15-6-138, reaches zero."~~

2

3 NEW SECTION. **Section 13. Codification instruction.** [Section 1] is intended to be codified as an
4 integral part of Title 15, chapter 6, part 2, and the provisions of Title 15, chapter 6, part 2, apply to [section 1].

5

6 NEW SECTION. **Section 14. Effective dates.** (1) Except as provided in subsection (2), [this act] is
7 effective on passage and approval.

8 (2) [Sections 5 and 9] are effective January 1, 2003.

9

10 NEW SECTION. **Section 15. Retroactive applicability.** [This act] applies retroactively, within the
11 meaning of 1-2-109, to property tax years beginning after December 31, 2001.

12

13 NEW SECTION. **Section 16. Termination.** [Sections 4 and 8] terminate December 31, 2002.

14

- END -